

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2013-1-E - ORDER NO. 2013-486

JUNE 27, 2013

IN RE: Annual Review of Base Rates for Fuel Costs of Duke Energy Progress, Incorporated) ORDER APPROVING) AND ADOPTING) ADJUSTMENT IN FUEL) COST RECOVERY) FACTORS
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I. BACKGROUND

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the annual review of base rates for fuel costs of Duke Energy Progress, Inc. (“DEP”, “Duke Energy Progress” or “Company”). The procedure followed by the Commission is set forth in S.C. Code Ann. § 58-27-865 (Supp. 2012), which provides for annual hearings to allow the Commission and all interested parties to review the prudence of the fuel purchasing practices and policies of an electrical utility and for the Commission to determine if any adjustment in a utility’s fuel cost recovery mechanism is necessary and reasonable.

The parties appearing before the Commission in this Docket were DEP, Nucor Steel – South Carolina (“Nucor”), and the South Carolina Office of Regulatory Staff (“ORS”) (collectively, referred to as the “Parties” or sometimes individually as a “Party”). Prior to the hearing, the Parties filed a Settlement Agreement dated June 13, 2013, (the “Settlement Agreement”) with the Commission. The Settlement Agreement,

including its three (3) attachments, is attached hereto as Order Exhibit 1 and is incorporated in and made part of this Order.

II. JURISDICTION OF THE COMMISSION

In accordance with S.C. Code Ann. § 58-27-140(1) (Supp. 2012), the Commission may, upon petition, “ascertain and fix just and reasonable standards, classifications, regulations, practices or service to be furnished, imposed, observed, and followed by any or all electrical utilities.” Further, S.C. Code Ann. § 58-27-865(B) (Supp. 2012) states, in pertinent part, that “[u]pon conducting public hearings in accordance with law, the [C]ommission shall direct each company to place in effect in its base rate an amount designed to recover, during the succeeding twelve months, the fuel costs determined by the [C]ommission to be appropriate for that period, adjusted for the over-recovery or under-recovery from the preceding twelve-month period.”

Consistent with the requirements of S.C. Code Ann. § 58-27-865(B) (Supp. 2012), the Commission convened an evidentiary hearing to determine the reasonableness of the Parties’ settlement and whether acceptance of the settlement is just, fair and in the public interest.

III. DISCUSSION OF THE HEARING AND THE SETTLEMENT AGREEMENT

The public evidentiary hearing in this matter was held on June 20, 2013, before this Commission with the Honorable Randy Mitchell presiding as Chairman. Representing the Parties were Brian L. Franklin, Esquire, and Frank R. Ellerbe, III, Esquire, for the Company; Robert R. Smith, II, Esquire, and Michael K. Lavanga,

Esquire, for Nucor; and Courtney D. Edwards, Esquire, and Jeffrey M. Nelson, Esquire, for ORS. At the hearing, the Parties presented the Settlement Agreement, which was admitted into the record as Hearing Exhibit 1. In the Settlement Agreement, the Parties represented to the Commission that they had discussed the issues presented in this case and determined that each Party's interests and the public interest would be best served by settling all issues pending in this case in accordance with the terms and conditions contained in the Settlement Agreement.

Further, the Parties presented witnesses in support of the Settlement Agreement and various other matters related to the Company's base rates for fuel costs. The Company presented the testimonies of Alexander "Sasha" J. Weintraub, Joseph A. Miller, Jr., T. Preston Gillespie, Jr., David C. Culp, and Sharon S. Babcock via two (2) panels. The pre-filed testimony of all Company witnesses was accepted into the record without objection or cross-examination by the Parties and the Company witnesses' exhibits were marked as composite Hearing Exhibits 4 through 8 and entered into the record of the case.¹

Company witness, T. Preston Gillespie, discussed the performance of Duke Energy Progress' nuclear generation fleet during the review period.² He reported to the Commission that Duke Energy Progress achieved a net nuclear capacity factor, excluding

¹ Composite Hearing Exhibit 4 consists of the Direct Testimony Exhibits 1 and 2 of Alexander "Sasha" J. Weintraub; Composite Hearing Exhibit 5 consists of the Direct Testimony Exhibits 1 and 2 of T. Preston Gillespie; Hearing Exhibit 6 consists of the Direct Testimony Exhibit 3 of Gillespie under seal; Composite Hearing Exhibit 7 consists of the Direct Testimony Exhibits 1 and 2 of David C. Culp; and, Composite Hearing Exhibit 8 consists of the Direct Testimony Exhibits 1 through 10 of Sharon S. Babcock.

² Pursuant to the Company's request at the hearing, the Commission granted the Motion of Duke Energy Progress to treat specific material filed in the present proceeding as confidential. Specifically, the Commission Ordered that Exhibit 3 of Duke Energy Progress' T. Preston Gillespie's testimony should be treated as confidential and remain under seal.

reasonable outage time, of 102.96% for the current period, which is above the 92.5% set forth in S.C. Code Ann. § 58-27-865 (Supp. 2012).

Company witness, David C. Culp, provided further information regarding the Company's nuclear fuel purchasing practices and costs for the review period and described changes expected in the 2013-2014 forecast period.

Company witness, Joseph Miller, testified regarding DEP's generation portfolio and changes made since the prior year's filing, changes expected in the near term, and the performance of DEP's fossil/hydro facilities during the period of March 1, 2012, through February 28, 2013.

Company witness, Alexander "Sasha" Weintraub, testified regarding Duke Energy Progress' fossil fuel purchasing practices and costs for the period of March 1, 2012, through February 28, 2013, and described related changes forthcoming for the period July 1, 2013, through June 30, 2014, as well as an update on the Joint Dispatch Agreement pursuant to the merger between Duke Energy Corporation and Progress Energy, Inc.

Company witness, Sharon S. Babcock, testified regarding the Company's procedures and accounting for fuel, actual fuel costs and actual environmental costs incurred for the period March 1, 2012, through February 28, 2013, and the associated over/under-recovery of such costs, estimated as of June 30, 2013. Ms. Babcock also testified to the manner in which the Company had projected its fuel and environmental costs for the period July 1, 2013, through June 30, 2014, and used such projections in developing its proposed fuel factors. Ms. Babcock explained that, in compliance with

S.C. Code Ann. § 58-27-865(A)(1) (Supp. 2012), the Company calculated an environmental component for the Residential, General Service (non-demand and demand), and Lighting customer classes. Environmental costs, and any associated over/under recovery balance of environmental costs are allocated among the four (4) customer classes based upon firm peak demand. The resulting allocated costs are converted to the environmental component in cents per kWh and added to the fuel component for the Residential and General Service (non-demand) classes, and are converted to a separate environmental charge for the General Service (demand) class expressed in cents per kW. Next, Ms. Babcock proposed in her direct testimony the combined fuel factors of 3.015 ¢/kWh for Residential customers, 2.984 ¢/kWh for General Service (non-demand), 2.941 ¢/kWh for General Service (demand) and Lighting customers.

In her settlement testimony, Ms. Babcock supported the settlement and recommended a reduction in the fuel factors as proposed in her direct testimony. Ms. Babcock explained adjustments to unbilled fuel and environmental revenues resulting from the use of actual data for the month of April 2013, instead of estimated figures for the month used when the Company filed its initial testimony, a correction made to the peak demand allocator that the Company filed with its initial testimony, and an adjustment to address dead freight or liquidated damages charges relating to a coal transportation contract.

Nucor did not file testimony in this Docket. Following the Company witnesses, ORS presented the direct testimony of Ms. Gaby Smith and Mr. Michael L. Seaman-

Huynh, also via panel. Ms. Smith sponsored composite Hearing Exhibit 2 and Mr. Seaman-Huynh sponsored composite Hearing Exhibit 3.³

ORS witness Smith presented the results of the ORS Audit Staff's examination of DEP's books and records pertaining to the Fuel Adjustment Clause operation for the actual period of March 2012 through February 2013. The estimated months of the review period, March 2013 through June 2013, were also reflected in Ms. Smith's testimony. The Parties agreed to accept all adjustments as set forth in the testimony of ORS witness Smith.

Mr. Seaman-Huynh presented direct testimony for ORS regarding the Company's fuel expenses and power plant operations and sponsored composite Hearing Exhibit 3.⁴ Mr. Seaman-Huynh testified to ORS's examination of the Company's fossil and nuclear fuel procurement, fuel transportation, environmental reagent purchases, nuclear, fossil and hydro generation performance, plant dispatch, forecasting, resource planning, purchased power and the Company's policies and procedures.

In summary, through the testimony and exhibits presented to the Commission in this proceeding, the Parties represent that settling all issues in this case in accordance with the terms and conditions contained in the Settlement Agreement is just, fair, reasonable and in the public interest. The terms of the Settlement Agreement are summarized as follows:

³ Composite Hearing Exhibit 2 consists of the Direct Testimony Exhibits of Gaby Smith (Exhibits 1-7); and composite Hearing Exhibit 3 consists of the Direct Testimony Exhibits of Michael L. Seaman-Huynh (Exhibits 1-12).

⁴ See Footnote 3.

- a) The Parties agree to accept recommendations in ORS witness Seaman-Huynh's testimony and all accounting adjustments as set forth in ORS witness Gaby Smith's pre-filed direct testimony and exhibits.
- b) The testimony supported the terms of the Settlement Agreement regarding the appropriate fuel factors for DEP to charge for the period beginning with the first billing cycle in July 2013 and continuing through the last billing cycle of June 2014, which are listed in the following table below:

Class	Base Fuel Cost Component (cents/kWh)	Environmental Fuel Cost Component (cents/kWh)	Total Fuel Costs Factor (cents/kWh)	Increase for RECD¹
Residential	2.910	0.054	2.964	2.988
General Service (non-demand)	2.910	0.047	2.957	
General Service (demand)	2.910	0.000 ²	2.910	
Lighting	2.910	0.000	2.910	

¹ Residential Service Energy Conservation Discount (RECD) is .8324%.

² The environmental rate for these customers is 12 cents per kW.

- c) The Parties agree that the Company's use of magnesium hydroxide, calcium carbonate, and other emission-reducing reagents in its power plants reduce the Company's NO_x and SO₂ emissions; therefore, the costs associated with these chemicals and reagents should be included in the Company's Adjustment for Fuel and Variable Environmental Costs.
- d) DEP will make an adjustment of \$1,844,332 to unbilled fuel revenues and an adjustment of (\$5,295) to unbilled environmental revenues to account for the Company updating pre-filed estimated costs to actual costs for April 2013.

- e) The Parties agree, solely for the purposes of this proceeding, to a settlement adjustment of \$200,000 to address DEP's dead freight charges (liquidated damages) relating to fuel transportation.
- f) Due to procedural filing deadlines, DEP agreed to provide ORS a "most favored nations" commitment regarding the potential disallowance of dead freight charges (liquidated damages) relating to fuel transportation costs in the North Carolina Utilities Commission's ("NCUC") DEP Fuel Docket; thereby, guaranteeing to ORS that DEP's South Carolina retail customers will receive their pro rata benefits (which shall not be less than \$200,000) equivalent to those approved by NCUC in DEP's 2013 fuel filing.
- g) The Parties further agree that, except as noted below, any challenges to DEP's historical fuel costs recovery for the period ending February 28, 2013, are not subject to further review; however, the projected fuel costs for periods beginning March 1, 2013, and thereafter shall be open issues in future fuel cost proceedings held under the procedure and criteria established in S.C. Code Ann. § 58-27-865.
- h) With regard to plant outages not complete as of February 28, 2013, and plant outages where final reports (Company, contractor, government reports or otherwise) are not available, the Parties agree that Nucor and ORS retain the right to review the reasonableness of plant outage(s) and associated costs in the review period during which the outage is completed or when the report(s) become available.

- i) DEP agrees that, in an effort to keep the Parties and DEP's customers informed of the over/under recovery balances related to fuel costs and of DEP's commercially reasonable efforts to forecast the expected fuel factor to be set at its next annual fuel proceeding, DEP will provide to Nucor and ORS, and where applicable, its other customers the following information:
1. Copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and,
 2. Quarterly forecasts of the expected fuel factor to be set at its next annual fuel proceeding based upon DEP's historical over/under recovery to date and DEP's forecast of prices for uranium, natural gas, coal, oil and other fuel required for generation of electricity. DEP agrees that it will put forth its best efforts to forecast the expected fuel factor to be set at its next annual proceeding. To the extent that the forecast data required hereunder is confidential, any party or customer that wants forecasted fuel data will have to sign a non-disclosure agreement to protect the data from public disclosure and to only disclose it to employees or agents with a need to be aware of this information.
- j) DEP agrees to continue to examine and make adjustments as necessary to its natural gas hedging program in light of the reduced volatility in the domestic natural gas market. DEP also agrees to provide monthly natural gas hedging reports to Nucor and ORS.

IV. FINDINGS OF FACT AND CONCLUSIONS OF LAW

Having heard the testimony of the witnesses and representations of counsel and after careful review of the Settlement Agreement, the Commission finds that approval of the terms set out in the Settlement Agreement is consistent with the standards for fuel review proceedings conducted pursuant to S.C. Code Ann. § 58-27-865 (Supp. 2012), and is supported by the substantial evidence in the record. The Settlement Agreement's terms allow recovery in a precise and prompt manner while assuring public confidence and minimizing abrupt changes in charges to customers. As such, approval of the Settlement Agreement is in the public interest as a reasonable resolution of the issues in this case. Additionally, we find that the methodology for determining the environmental cost component of the fuel factors used by DEP in this proceeding is consistent with the statutory requirements of S.C. Code Ann. § 58-27-865 (Supp. 2012), and is just and reasonable. We further find that the Settlement Agreement's terms provide stabilization to the fuel factors, minimize fluctuations for the near future, and do not appear to inhibit economic development in South Carolina. Additionally, the Commission finds and concludes that the Settlement Agreement affords the Parties with the opportunity to review costs and operational data in succeeding fuel review proceedings conducted pursuant to S.C. Code Ann. § 58-27-865 (Supp. 2012).

IT IS THEREFORE ORDERED THAT:

1. The Settlement Agreement attached hereto as Order Exhibit 1, and the pre-filed direct testimony of ORS's witnesses Gaby Smith and Michael L. Seaman-Huynh, and Duke Energy Progress' witnesses Alexander "Sasha" J. Weintraub, Joseph A. Miller,

Jr., T. Preston Gillespie, Jr., David C. Culp, and the pre-filed direct and settlement testimony of Sharon S. Babcock, along with their respective exhibits entered into evidence as composite Hearing Exhibits 2-8, are accepted into the record in the above-captioned case without objection. Lastly, the oral testimony of the above witnesses presented at the hearing on June 20, 2013, is also incorporated into the record of this case.

2. The fuel purchasing practices, plant operations, and fuel inventory management of DEP related to the historical fuel costs and revenues for the period ending February 28, 2013, are prudent.

3. The Settlement Agreement is incorporated into this present Order by reference and attachment and is found to be a reasonable resolution of the issues in this case and to be in the public interest.

4. DEP shall set its fuel factor (not including the environmental component or the RECD component) at 2.910 cents per kWh effective for bills rendered on and after the first billing cycle of July 2013 and continuing through the last billing cycle of June 2014.

5. DEP shall set its environmental component billing factor at 0.054 cents per kWh for the Residential class, 0.047 cents per kWh for the General Service (non-demand) class, and 12 cents per kW for the General Service (demand) class for bills rendered on or after the first billing cycle of July 2013 and continuing through the last billing cycle of June 2014.

6. DEP shall set its Residential Service Energy Conservation Discount (RECD) component billing factor at .024 cents per kWh for the residential class for bills rendered on or after the first billing cycle of July 2013 and continuing through the last billing cycle of June 2014. The RECD component allows DEP to reflect monthly fuel revenues which account for a 5 percent discount provided to approximately 17 percent of DEP's South Carolina residential sales under approved Rider RECD-2B.

7. The Parties shall abide by the terms of this Settlement Agreement.

8. DEP shall file the South Carolina Retail Adjustment for Fuel and Variable Environmental Costs Rider and all other retail Tariffs with the Commission. The tariffs should be electronically filed in a text searchable PDF format using the Commission's DMS System (<http://dms.psc.sc.gov>). An additional copy should be sent via email to etariff@psc.sc.gov to be included in the Commission's Etariff System (<http://etariff.psc.sc.gov>). Future revisions to the tariffs should be made using the Etariff System. The tariffs shall be consistent with the findings of this Order and agreements with the other parties to this case. The tariffs shall be consistent with the Commission's Rules and Regulations, and shall be filed as stated within 10 days of receipt of this Order.

9. DEP shall comply with the notice requirements set forth in S.C. Code Ann. § 58-27-865.

10. DEP shall utilize the methodology for developing the environmental component billing factor for each rate class to recover "variable environmental costs" under S.C. Code Ann. § 58-27-865(A)(1) established by the Settlement Agreement in Docket No. 2007-1-E and approved in Order No. 2007-440.

11. DEP shall continue to file the monthly reports as previously required.

12. DEP shall continue to examine and make adjustments as necessary to its natural gas hedging programs and submit monthly natural gas hedging reports to the Parties.

13. DEP shall, by rate class, account monthly to the Commission and ORS for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit.

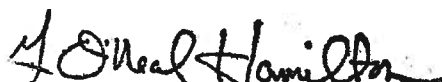
14. DEP shall submit monthly reports to the Commission and ORS of fuel costs and scheduled and unscheduled outages of generating units with a capacity of 100 MW or greater.

15. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Randy Mitchell, Chairman

ATTEST:


G. O'Neal Hamilton, Vice Chairman

(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2013-1-E
June 13, 2013

IN RE:)	
Annual Review of Base Rates for Fuel)	SETTLEMENT AGREEMENT
Costs of Duke Energy Progress,)	
Incorporated)	
_____)	

This Settlement Agreement is made by and among the South Carolina Office of Regulatory Staff ("ORS"), Nucor Steel – South Carolina ("Nucor"), and Duke Energy Progress, Inc. ("DEP" or the "Company") (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (the "Commission") pursuant to the procedure established in S.C. Code Ann. § 58-27-865 (Supp. 2012), and the Parties to this Settlement Agreement are parties of record in the above-captioned docket;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine whether a settlement of the issues would be in their best interests;

WHEREAS, following these discussions the Parties have each determined that their interests and the public interest would be best served by settling all issues in the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony and exhibits of ORS witnesses Gaby Smith and Michael L. Seaman-Huynh,

without objection or cross-examination by the Parties. The Parties also agree to stipulate into the record, without objection or cross-examination by the Parties, before the Commission the pre-filed direct testimony and exhibits of Company witnesses David C. Culp, T. Preston Gillespie, Jr. (includes redacted public and unredacted confidential version of Gillespie Exhibit 3), and Sasha J. Weintraub; the pre-filed direct testimony of Joseph A. Miller, Jr.; and, the pre-filed direct testimony and exhibits and settlement testimony of Sharon S. Babcock. Nucor did not pre-file testimony in this Docket. The Parties agree that no other evidence will be offered in the proceeding by the Parties other than the stipulated testimony and exhibits, this Settlement Agreement and Attachments. The Parties agree to present all witnesses at the scheduled hearing in this matter.

2. As a compromise to positions advanced by Nucor, DEP and ORS, the Parties agree to the proposal set out immediately below, and this proposal is hereby adopted, accepted, and acknowledged as the agreement of the Parties.

3. DEP's cumulative (under)-recovered base fuel cost balance for the period ending June 30, 2013, is projected to be (\$3,928,806).

4. The appropriate fuel factors for DEP to charge for the period beginning with the first billing cycle in July 2013 extending through the last billing cycle of June 2014 are listed below. These fuel factors include environmental costs and the (under)-recovered fuel costs.

Class	Base Fuel Cost Component (cents/kWh)¹	Environmental Fuel Cost Component (cents/kWh)	Total Fuel Costs Factor (cents/kWh)	Increase for RECD²
Residential	2.910	0.054	2.964	2.988
General Service (non-demand)	2.910	0.047	2.957	
General Service (demand)	2.910	0.000 ³	2.910	
Lighting	2.910	0.000	2.910	

¹ As shown in Settlement Agreement Attachment A.

² Residential Service Energy Conservation Discount (RECD) is .8324%.

³ The environmental rate for these customers is 12 cents per kW.

5. The Parties agree that the fuel factors set forth above are consistent with S.C. Code Ann. § 58-27-865 (Supp. 2012).

6. The Parties agree to accept all recommendations in ORS witness Seaman-Huynh's testimony and the accounting adjustments as put forth in ORS witness Gaby Smith's exhibits, as revised, attached herewith as Settlement Agreement Attachments B and C.

7. The Parties agree that the Company's use of magnesium hydroxide, calcium carbonate, and other emission-reducing reagents in its power plants reduce the Company's NO_x and SO₂ emissions; therefore, the Parties agree that the costs associated with these chemicals and reagents should be included in the Company's Adjustment for Fuel and Variable Environmental Costs.

8. ORS thoroughly reviewed and investigated DEP's nuclear operations during the review period. As shown in ORS witness Seaman-Huynh's Exhibit MSH-2, DEP's nuclear fleet achieved an actual system capacity factor during the review period of 90.5%. DEP achieved this capacity factor notwithstanding the fact that it experienced three (3) scheduled refueling outages, one (1) maintenance outage, and four (4) forced outages during the review period. ORS reviewed all outages and noted that individual Company nuclear units have periodically experienced forced outage rates higher than the North American Electric Reliability Corporation ("NERC") average. S.C. Code Ann. § 58-27-865 states that:

There shall be a rebuttable presumption that an electrical utility made every reasonable effort to minimize cost associated with the operation of its nuclear generation facility or system, as applicable, if the utility achieved a net capacity factor of ninety-two and one-half percent or higher during the period under review. The calculation of the net capacity factor shall exclude reasonable outage time associated with reasonable refueling, reasonable maintenance, reasonable repair, and reasonable equipment replacement outages; the reasonable reduced power generation experienced by nuclear units as they approach a refueling outage; the reasonable reduced power generation experienced by nuclear units associated with bringing a unit back to full power after an

outage; Nuclear Regulatory Commission required testing outages unless due to the unreasonable acts of the utility; outages found by the commission not to be within the reasonable control of the utility; and acts of God. The calculation also shall exclude reasonable reduced power operations resulting from the demand for electricity being less than the full power output of the utility's nuclear generation system.

Excluding all planned outage time, DEP's net capacity factor for the review period was 102.96%.

9. DEP has agreed to make an adjustment of \$1,844,332 to unbilled fuel revenues and an adjustment of (\$5,295) to unbilled environmental revenues to account for the Company updating pre-filed estimated costs to actual costs for April 2013.

10. The Parties have agreed, solely for the purposes of this proceeding, to a settlement adjustment of \$200,000 to address DEP's dead freight charges (liquidated damages) relating to fuel transportation.

11. Due to the procedural filing deadlines, DEP has agreed to provide ORS a "most favored nations" commitment regarding the potential disallowance of dead freight charges (liquidated damages) relating to fuel transportation costs in the North Carolina Utilities Commission's ("NCUC") DEP Fuel Docket; thereby, guaranteeing to ORS that DEP's South Carolina retail customers will receive their pro rata benefits (shall not be less than \$200,000 as discussed in paragraph 10 above) equivalent to those approved by NCUC in DEP's 2013 fuel filing.

12. The Parties further agree that, except as noted below, any challenges to DEP's historical fuel costs recovery for the period ending February 28, 2013, are not subject to further review; however, the projected fuel costs for periods beginning March 1, 2013, and thereafter shall be open issues in future fuel cost proceedings held under the procedure and criteria established in S.C. Code Ann. § 58-27-865.

13. With regard to plant outages not complete as of February 28, 2013, and plant outages where final reports (Company, contractor, government reports or otherwise) are not available, the Parties agree that Nucor and ORS retain the right to review the reasonableness of plant outage(s) and associated costs in the review period during which the outage is completed or when the report(s) become available.

14. DEP agrees that in an effort to keep the Parties and DEP's customers informed of the over/under recovery balances related to fuel costs and of DEP's commercially reasonable efforts to forecast the expected fuel factor to be set at its next annual fuel proceeding, DEP will provide to Nucor and ORS, and where applicable, its customers the following information:

- a. Copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and,
- b. Quarterly forecasts of the expected fuel factor to be set at its next annual fuel proceeding based upon DEP's historical over/under recovery to date and DEP's forecast of prices for uranium, natural gas, coal, oil and other fuel required for generation of electricity. DEP agrees that it will put forth its best efforts to forecast the expected fuel factor to be set at its next annual proceeding. To the extent that the forecast data required hereunder is confidential, any party or customer that wants forecasted fuel data will have to sign a non-disclosure agreement to protect the data from public disclosure and to only disclose it to employees or agents with a need to be aware of this information.

15. DEP agrees to continue to examine and make adjustments as necessary to its natural gas hedging program in light of the reduced volatility in the domestic natural gas market. DEP also agrees to provide monthly natural gas hedging reports to Nucor and ORS.

16. Nothing contained in this Settlement Agreement alters, amends, or changes the methodology established for determining the environmental factor for DEP's rate classes as set forth in Paragraphs 3(B) and (C) of the Settlement Agreement filed with and approved by the Commission in Docket No. 2007-1-E.

17. Further, ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2012). S.C. Code Ann. § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the state's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

18. The Parties agree that this Settlement Agreement is reasonable, is in the public interest, and is in accordance with law and regulatory policy.

19. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution in the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

20. This written Settlement Agreement contains the complete agreement of the Parties. There are no other terms or conditions to which the Parties have agreed. This Settlement Agreement integrates all discussions among the Parties into the terms of this written document. The Parties agree that this Settlement Agreement will not constrain, inhibit or impair

their arguments or positions held in future proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty by providing written notice of intent to do so within five (5) working days of notice of the Commission's decision not to approve the Settlement Agreement in its entirety. In the event any Party withdraws under such circumstances, the Settlement Agreement is null and void, each Party shall have the opportunity to present evidence and advocate its position in the proceeding, and the Parties shall work together in good faith to develop and propose a new procedural schedule to put the Parties back in the position they were in prior to the settlement.

21. This Settlement Agreement shall be interpreted according to South Carolina law.

22. Except as expressly set forth herein, this Settlement Agreement in no way constitutes a waiver or acceptance of the position of any Party concerning the requirements of S.C. Code Ann. § 58-27-865 in any future proceeding. This Settlement Agreement does not establish any precedent with respect to the issues resolved herein, and in no way precludes any Party herein from advocating an alternative methodology under S.C. Code Ann. § 58-27-865 (Supp. 2012) in any future proceeding.

23. This Settlement Agreement shall bind and inure to the benefit of each of the signatories hereto and their representatives, predecessors, successors, assigns, agents, shareholders, officers, directors (in their individual and representative capacities), subsidiaries, affiliates, parent corporations, if any, joint ventures, heirs, executors, administrators, trustees, and attorneys.

24. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where

indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

Representing the South Carolina Office of Regulatory Staff

A handwritten signature in black ink, appearing to read "Courtney D. Edwards", is written over a horizontal line.

Courtney D. Edwards, Esquire

Jeffrey M. Nelson, Esquire

South Carolina Office of Regulatory Staff

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Duke Energy Progress, Inc.
Calculation of Base Fuel Component
Docket No. 2013-1-E

Projected Fuel Expense from July 2013 through June 2014	
Cost of Fuel	\$1,573,325,605
System Sales (MWh)	55,213,375
Average Cost (cents/kWh)	2.850
Revenue Difference To be Collected from July 2013 through June 2014	
(Over)/Under-Recovery at June 30, 2013	\$3,928,806
Projected S.C. Retail Sales (MWh)	6,599,892
Average Cost (cents/kWh)	0.060
Base Fuel Cost Per kWh - Projected Period	
Average Fuel Cost (cents/kWh)	2.850
Revenue Difference (cents/kWh)	0.060
Base Fuel Component (cents/kWh)	2.910

DUKE ENERGY PROGRESS, INC.

**SOUTH CAROLINA RETAIL FUEL CASE - DOCKET 2013-1-E
CALCULATION OF ENVIRONMENTAL FUEL COMPONENT
For the Year Ending June 30, 2014**

Settlement Agreement
Attachment A
Page 2 of 3

Line	Class	REVISED Coincident Peak Allocation Factor	Share of Projected Costs Line 10	Share of (Over)/Under-Recovery at June 30, 2013 Exhibit 5 Total	Projected July 13 to June 14 SC Retail Sales (kWh) Babcock WP 13	Projected Demand Billing units (kW) Babcock WP 13	Projected Average Environmental Fuel Cost	(Over)/Under-Recovered Average Environmental Fuel Cost	Total Environmental Fuel Cost Component
		Babcock WP 9	Line 10	Exhibit 5 Total	Babcock WP 13	Babcock WP 13			
(1)	Residential	49.80%	\$1,323,205	(\$147,537)	2,184,731,124		0.061 \$/kWh	(0.007) \$/kWh	0.054 \$/kWh
(2)	General Service (non demand)	6.23%	165,583	(18,465)	315,137,044		0.033 \$/kWh	(0.006) \$/kWh	0.047 \$/kWh
(3)	General Service (demand)	43.97%	1,168,348	(130,288)	4,006,973,056	9,102,024	13 \$/kW [1]	(1) \$/kW [1]	12.0 \$/kW
(4)	Lighting	0.00%	-	-	93,051,103		0.000	0.000	0.000
(5)	Total	100.00%	\$2,657,137	(\$296,310)	6,599,892,327	9,102,024			

SC Environmental Cost Projection

(6)	Projected SC Retail Sales from July 13 to June 14	Exhibit 4	6,599,892,327
(7)	Projected Total System Sales from July 13 to June 14	Exhibit 4	55,213,375,184
(8)	Allocation percentage to SC	Line (6) / Line (7)	0.1195
(9)	Projected Environmental Costs July 13 to June 14	Babcock WP 11	\$22,229,873
(10)	SC Allocation of Projected Costs	Line (8) * Line (9)	\$2,657,137

[1] Rate is based on the Demand Billing Units

DUKE ENERGY PROGRESS, INC.

Settlement Agreement
Attachment A
Page 3 of 3

SOUTH CAROLINA RETAIL FUEL CASE - DOCKET 2013-1-E
CALCULATION OF TOTAL FUEL COMPONENT
For the Year Ending June 30, 2014

Line	Class	Cents / KWH				Total Fuel Costs Factor
		Base Fuel Cost Component (from Exhibit No. 3)	Base Fuel Cost Component Increased For RECD	Env. Cost Component (from Exhibit No. 6)	Env. Cost Component Increased For RECD	
(1)	Residential	2.910	2.934	0.054	0.054	2.988 [2]
(2)	General Service (non-demand)	2.910		0.047		2.957
(3)	General Service (demand)	2.910		0.000 [1]		2.910
(4)	Lighting	2.910		0.000		2.910

[1] The environmental rate for these customers is 12 cents per kW.

[2] RECD factor is .8324%.

Duke Energy Progress, Inc.
South Carolina Fuel Cost Computation
March 2012 - June 2013
Docket No. 2013-1-E

Settlement Agreement
Attachment B
Page 1 of 2

	ACTUAL									
	March 2012	April 2012	May 2012	June 2012	July 2012	August 2012	September 2012	October 2012		
Fossil Fuel	\$ 98,637,988	\$ 87,851,079	\$ 109,180,487	\$ 118,922,700	\$ 152,932,979	\$ 134,781,904	\$ 163,089,881	\$ 92,473,979		
Nuclear Fuel	\$ 8,394,837	\$ 9,864,715	\$ 11,091,929	\$ 13,720,885	\$ 16,080,460	\$ 16,002,377	\$ 13,964,145	\$ 16,059,502		
Coal Blending Savings Allocations	\$ -	\$ -	\$ -	\$ -	\$ (804,146)	\$ (597,213)	\$ (511,851)	\$ (1,448,317)		
Coal Purchase Savings Allocations	\$ -	\$ -	\$ -	\$ -	\$ 67,973	\$ 138,135	\$ 278,984	\$ (112,732)		
Gas Savings Allocations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Purchased & Interchange Power	\$ 22,234,212	\$ 19,611,682	\$ 27,267,589	\$ 13,668,280	\$ 28,511,324	\$ 21,419,899	\$ 22,060,890	\$ 14,821,183		
Sub-Total	\$ 129,176,987	\$ 116,927,476	\$ 147,540,005	\$ 146,311,865	\$ 196,648,590	\$ 171,745,102	\$ 138,881,649	\$ 121,793,615		
Less: Interruption Sales	\$ 7,923,318	\$ 9,787,594	\$ 10,987,538	\$ 9,295,096	\$ 30,817,690	\$ 25,428,407	\$ 16,084,056	\$ 21,947,279		
Total Fuel Costs	\$ 121,253,669	\$ 107,220,082	\$ 136,552,467	\$ 137,016,769	\$ 165,830,900	\$ 146,316,695	\$ 122,797,613	\$ 99,846,336		
Total System kWh Sales Excluding Interruption Sales	\$ 3,840,900,637	\$ 3,831,660,988	\$ 4,044,374,722	\$ 4,354,259,616	\$ 5,406,661,486	\$ 5,173,094,990	\$ 4,543,428,288	\$ 3,930,427,447		
S.C. kWh Sales	\$ 396,639,808	\$ 514,387,618	\$ 464,171,633	\$ 449,470,653	\$ 623,416,672	\$ 569,826,186	\$ 492,151,744	\$ 481,428,129		
S.C. Allocation Factor	0.1033	0.1342	0.1148	0.1032	0.1153	0.1102	0.1083	0.1225		
S.C. Retail Basis of Total Fuel Costs	\$ 12,578,504	\$ 14,388,935	\$ 15,674,223	\$ 14,140,131	\$ 19,120,383	\$ 16,124,100	\$ 13,298,981	\$ 12,231,176		
Amount Billed to S.C. Customers	\$ 12,063,157	\$ 15,641,526	\$ 14,114,233	\$ 13,629,075	\$ 16,082,497	\$ 15,357,367	\$ 12,932,499	\$ 12,651,650		
Deferred Fuel Entry	\$ (462,347)	\$ 1,253,591	\$ (1,261,290)	\$ (511,056)	\$ (2,317,806)	\$ (766,733)	\$ (366,482)	\$ 420,474		
Cumulative Over/(Under) Recovery- Prior Month	\$ 5,129,003	\$ 4,666,656	\$ 5,919,247	\$ 4,357,257	\$ 3,846,201	\$ 1,528,395	\$ 1,528,395	\$ 761,662		
Company's Accounting Adjustments										
ONS's Accounting Adjustments										
Cumulative Over/(Under) Recovery	\$ 4,666,656	\$ 5,919,247	\$ 4,357,257	\$ 3,846,201	\$ 1,528,395	\$ 761,662	\$ 395,180	\$ 815,654		

Note (1) - S.C. Allocation Factor= S.C. Retail Sales / Total System Sales

Duke Energy Progress, Inc.
South Carolina Fuel Cost Comparison
March 2012 - June 2013
Docket No. 2013-1-E

Settlement Agreement
Attachment B
Page 2 of 2

	ACTUAL					ESTIMATED				
	November 2012	December 2012	January 2013	February 2013	March 2013	April 2013	May 2013	June 2013		
Fossil Fuel	\$ 106,890,050	\$ 86,887,954	\$ 95,382,609	\$ 83,956,654	\$ 105,187,323	\$ 88,163,694	\$ 79,998,636	\$ 120,834,137		
Nuclear Fuel	\$ 14,882,882	\$ 15,850,976	\$ 16,121,580	\$ 14,050,613	\$ 12,195,462	\$ 12,403,741	\$ 16,185,821	\$ 15,651,413		
Coal Blending Savings Allocations	\$ (1,297,587)	\$ (1,360,522)	\$ (793,042)	\$ (1,219,732)	\$ (1,163,771)	\$ 2,816,527	\$ 2,599,975	\$ 2,052,414		
Coal Purchase Savings Allocations	\$ (944,343)	\$ 1,330,768	\$ (218,573)	\$ 466,596	\$ 651,335	\$ (4,243,802)	\$ (3,917,513)	\$ (4,448,551)		
Gas Savings Allocations	\$ -	\$ (1,946,781)	\$ (794,676)	\$ (701,725)	\$ (738,047)	\$ (67,625)	\$ (67,730)	\$ (70,046)		
Purchased & Interchange Power	\$ 17,689,646	\$ 19,475,056	\$ 24,412,711	\$ 28,645,776	\$ 40,417,205	\$ 23,737,043	\$ 22,841,362	\$ 28,273,524		
Sub-Total	\$ 137,143,668	\$ 120,347,401	\$ 134,110,809	\$ 125,198,142	\$ 156,549,597	\$ 112,809,578	\$ 117,640,590	\$ 163,951,971		
Less: Inter-system Sales	\$ 18,031,158	\$ 18,109,458	\$ 11,678,570	\$ 8,434,050	\$ 11,635,465	\$ 11,616,076	\$ 12,865,365	\$ 20,035,365		
Total Fuel Costs	\$ 119,112,510	\$ 102,237,943	\$ 122,432,239	\$ 116,764,092	\$ 144,914,042	\$ 101,193,502	\$ 104,775,185	\$ 143,916,606		
Total System kWh Sales Excluding Inter-system Sales	\$ 4,170,697,791	\$ 4,229,785,156	\$ 4,782,991,436	\$ 4,455,188,312	\$ 4,396,486,586	\$ 4,006,619,449	\$ 3,903,082,937	\$ 4,668,126,847		
S.C. kWh Sales	\$ 471,913,876	\$ 452,859,642	\$ 570,899,569	\$ 590,474,985	\$ 474,712,940	\$ 693,677,555	\$ 478,213,445	\$ 566,023,640		
S.C. Allocation Factor	0.1131	0.1071	0.1194	0.1132	0.1080	0.1232	0.1225	0.1213		
S.C. Retail Basis of Total Fuel Costs	\$ 13,471,625	\$ 11,797,916	\$ 14,642,289	\$ 13,217,695	\$ 15,650,717	\$ 13,699,039	\$ 12,834,960	\$ 17,365,056		
Amount Billed to S.C. Customers	\$ 12,404,349	\$ 11,905,125	\$ 15,007,436	\$ 13,261,121	\$ 12,680,106	\$ 12,968,909	\$ 12,562,667	\$ 14,669,441		
Deferred Fuel Entry	\$ (1,067,276)	\$ 107,209	\$ 365,147	\$ 43,426	\$ (3,170,611)	\$ (730,130)	\$ (272,293)	\$ (7,495,615)		
Cumulative Over/(Under) Recovery- Prior Month	\$ 815,654	\$ (251,622)	\$ (144,413)	\$ 220,734	\$ 895,511	\$ (2,275,100)	\$ (1,433,191)	\$ (1,433,191)		
Company's Accounting Adjustments										
OBS's Accounting Adjustments										
Cumulative Over/(Under) Recovery	\$ (251,622)	\$ (144,413)	\$ 220,734	\$ 895,511	\$ (2,275,100)	\$ (1,460,390)	\$ (1,433,191)	\$ (3,928,006)		

Note (1) - S.C. Allocation Factor= S.C. Retail Sales / Total System Sales

Cumulative Over/(Under) Base Fuel Component (per Audit Exhibit CS-5)
Cumulative Over/(Under) Environmental Component (per Audit Exhibit CS-7)
Net Cumulative Base Fuel and Environmental Components Over/(Under)- Recovery Balances

\$ 895,511
\$ 318,611
\$ 1,214,122

\$ (3,928,006)
\$ 296,319
\$ (3,631,687)

Duke Energy Progress, Inc.
Details of Environmental Costs
March 2012 - June 2013
Docket No. 2013-1-E

Settlement Agreement
Attachment C
Page 1 of 2

	Actual									
	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12		
Magnesium Hydroxide and Calcium Carbonate	\$ 101,420	\$ 194,572	\$ -	\$ 205,750	\$ 261,364	\$ (95,879)	\$ 38,364	\$ 663,586		
SO ₂ & NO _x Emission Allowances	\$ 134,944	\$ 127,184	\$ 190,505	\$ 209,851	\$ 330,165	\$ 263,723	\$ 161,212	\$ 107,616		
Ammonia & Urea	\$ 732,977	\$ 603,768	\$ 742,734	\$ 617,392	\$ 880,295	\$ 675,174	\$ 517,461	\$ 518,934		
Limestone	\$ 895,914	\$ 690,784	\$ 927,997	\$ 1,038,982	\$ 1,351,559	\$ 1,104,859	\$ 830,776	\$ 1,336,654		
Sub-Total	\$ 1,866,255	\$ 1,614,308	\$ 1,861,236	\$ 2,071,975	\$ 2,823,383	\$ 1,947,877	\$ 1,547,813	\$ 2,626,790		
Less: Intersystem Sales	\$ 26,640	\$ 40,366	\$ 46,591	\$ 29,046	\$ 247,220	\$ 247,929	\$ 125,035	\$ 730,938		
Reagent Savings Allocations	\$ -	\$ -	\$ -	\$ -	\$ 5,019	\$ 11,570	\$ 23,020	\$ (5,908)		
Total Environmental Cost	\$ 1,839,615	\$ 1,573,942	\$ 1,814,645	\$ 2,042,929	\$ 2,581,182	\$ 1,711,518	\$ 1,445,798	\$ 1,899,944		
S.C. Retail kWh Sales	396,639,808	514,387,618	464,171,633	449,470,853	623,416,672	569,826,186	492,151,744	481,428,129		
Total System kWh Sales Excluding Intersystem Sales	3,840,900,637	3,831,660,908	4,044,374,722	4,354,239,616	5,406,661,486	5,173,094,990	4,543,428,288	3,930,427,447		
S.C. Allocation Factor	0.1033	0.1342	0.1148	0.1032	0.1153	0.1102	0.1083	0.1225		
S.C. Retail Basis of Total Environmental Costs	\$ 190,832	\$ 211,491	\$ 208,321	\$ 210,830	\$ 297,610	\$ 188,609	\$ 156,580	\$ 231,518		
Amount Billed to S.C. Customers	\$ 221,451	\$ 206,142	\$ 212,406	\$ 226,196	\$ 202,387	\$ 195,694	\$ 178,409	\$ 149,301		
Over/(Under) Recovery	\$ 31,419	\$ (5,349)	\$ 4,085	\$ 15,366	\$ (95,223)	\$ 7,085	\$ 21,829	\$ (82,217)		
Cumulative Over/(Under) Recovery - Prior Month	\$ 367,391	\$ 398,810	\$ 393,461	\$ 397,546	\$ 412,912	\$ 317,689	\$ 324,774	\$ 346,603		
ORS Adjustments										
Cumulative Over/(Under) Recovery	\$ 398,810	\$ 393,461	\$ 397,546	\$ 412,912	\$ 317,689	\$ 324,774	\$ 346,603	\$ 264,386		

Note (2) - S.C. Allocation Factor = S.C. Retail Sales / Total System Sales

Duke Energy Progress, Inc.
Details of Environmental Costs
March 2012 - June 2013
Docket No. 2013-1-E

Settlement Agreement
Attachment C
Page 2 of 2

	Actual				Estimated			
	Mar-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	June-13
Magnesium Hydroxide and Calcium Carbonate	\$ 197,267	\$ 208,127	\$ 259,012	\$ 228,267	\$ 125,643	\$ 300,916	\$ 425,045	\$ 459,053
SO ₂ & NO _x Emission Allowances	\$ 130,979	\$ 71,536	\$ (2,710)	\$ 44,470	\$ 33,524	\$ 61,567	\$ 43,525	\$ 37,075
Ammonia & Urea	\$ 724,317	\$ 385,195	\$ 402,243	\$ 385,958	\$ 431,124	\$ 420,179	\$ 343,130	\$ 745,728
Limestone	\$ 1,326,007	\$ 808,694	\$ 686,305	\$ 660,184	\$ 635,106	\$ 651,122	\$ 635,921	\$ 1,334,185
Sub-Total	\$ 2,378,550	\$ 1,473,552	\$ 1,374,850	\$ 1,318,859	\$ 1,225,397	\$ 1,433,784	\$ 1,447,621	\$ 2,576,041
Less: Internsystem Sales	\$ 544,914	\$ 164,067	\$ 63,760	\$ 17,224	\$ 4,620	\$ 17,742	\$ 11,495	\$ 35,818
Reagent Savings Allocations	\$ 44,331	\$ 32,242	\$ 5,504	\$ 12,187	\$ 8,534	\$ 15,200	\$ 15,200	\$ 15,200
Total Environmental Cost	\$ 1,877,967	\$ 1,341,727	\$ 1,316,594	\$ 1,313,822	\$ 1,229,311	\$ 1,431,242	\$ 1,451,326	\$ 2,555,423
S.C. Retail kWh Sales	471,913,876	452,858,642	570,809,969	504,474,585	474,712,940	511,067,452	493,677,555	478,213,445
Total System kWh Sales Excluding Internsystem Sales	4,178,697,791	4,229,785,156	4,782,991,436	4,455,188,312	4,396,486,986	4,557,648,562	4,557,648,562	4,557,648,562
S.C. Allocation Factor	0.1131	0.1071	0.1194	0.1132	0.1080	0.1123	0.1084	0.1050
S.C. Retail Basis of Total Environmental Costs	\$ 212,398	\$ 143,699	\$ 157,201	\$ 148,725	\$ 132,766	\$ 160,728	\$ 157,324	\$ 268,319
Amount Billied to S.C. Customers	\$ 158,754	\$ 175,876	\$ 194,864	\$ 186,754	\$ 192,428	\$ 199,282	\$ 148,752	\$ 161,758
Over(Under) Recovery	\$ (53,644)	\$ 32,177	\$ 37,663	\$ 38,829	\$ 59,662	\$ 38,474	\$ (8,572)	\$ (106,561)
Cumulative Over(Under) Recovery - Prior Month	\$ 264,386	\$ 210,742	\$ 242,919	\$ 280,582	\$ 318,611	\$ 378,273	\$ 411,452	\$ 402,800
ORR Adjustments					\$	(5,295)		
Cumulative Over(Under) Recovery	\$ 210,742	\$ 242,919	\$ 280,582	\$ 318,611	\$ 378,273	\$ 411,452	\$ 402,800	\$ 296,319

Note (2) - S.C. Allocation Factor = S.C. Retail Sales / Total System Sales